

L E A S E

THIS INDENTURE OF LEASE, made and entered into this 20th day of January, 1990, by and between Paul McConkey and Margaret McConkey husband and wife, hereinafter called "Lessors", and Bill sesko hereinafter called "Lessee",

W I T N E S S E T H:

1. Premises: The Lessors do hereby lease to Lessee and Lessee do hereby take and hire from Lessors that certain store space

located at 1725 Pennsylvania Avenue, Bremerton, Kitsap County, Washington, on property legally described as follows:

An open area approximately 100 by 100 feet in an area near the last gate on Pennsylvania St.

The North 5 feet of Lot 19, and all of Lots 20, 21, 22, and the South 80 M/L feet of Lot 23 of Joseph Daly's Garden Tracts, Volume 4 of Plats, page 11, AND the South 54 M/L feet of Lot 1, all of Lots 2, 3, 4, and 5 in Supplemental Plat of Bay View Garden Tracts, Volume 5 of Plats, page 19, AND the East half of the following described property: Commencing at a point 430 feet West and 722.96 feet North of the Southeast corner of Lot 1, Section 14, Township 24 North, Range 1 East, W.M., thence North 66 feet, thence West 330 feet, thence South 66 feet, thence East 330 feet, to the point of beginning. Situated in Kitsap County, Washington.

and in accordance with the sketch attached hereto, and as designated by the letter " ", or the number N/A, as the space to be occupied by Lessee.

2. Term: The term of this Lease is for a period of Month to Month, commencing on the 20th day of January, 1990, and expiring on the _____ day of _____, 198 .

Receipt is hereby acknowledged of the sum of Two Hundred _____ DOLLARS (\$ 200.00), as rental for the first and LAST months.

Lessors grant and give to Lessee the right to extend this Lease for an additional period of _____ () years, upon the same terms and conditions except as to rental and the option must be exercised by written notice to Lessors at their last known post office address at least sixty (60) days before the expiration of the original term of the lease. Rental for any extended period shall be agreed upon by the parties prior to the beginning of the extended period, if they are unable so to do, rental shall be set by a board of arbiters, one appointed by Lessors, one by Lessee, and the third by the first two appointed, who shall meet and set the rental and whose decision as to rental shall be final and binding upon the parties hereto. In the event that rental is not set before the commencement of the extended period, rental when set shall be retroactive to the beginning of the extended period.

3. Cancellation: It is particularly understood and agreed that the property of which this Lease affects a part is for sale and in the event that the property is sold to any third party, this lease shall be terminated upon 30 days () days written notice to Lessee, at the expiration of said period, Lessee shall have no further right or interest in said property or right to remain thereon or therein.

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4. Real Estate Taxes and Insurance: Lessors shall pay the necessary costs of real property taxes and shall keep the premises insured against loss by fire or other hazard and vandalism. Lessors shall be responsible for the maintenance and repair of the roof outside, walls and foundation of the leased premises, and shall keep and maintain the blacktop which is used for entry to the premises and for parking in good repair, and Lessee shall be entitled to use the blacktop area for purpose of travel by their customers and parking by them, in common with other tenants of Lessors property.

Lessee shall be responsible for the maintenance of the interior of said leased premises and shall do any and all redecorations at their sole costs and shall maintain the interior of the premises in a neat and clean condition and a reasonable state of repair during the term of this lease or its extension.

5. Utilities and Permits: Lessors shall furnish water, heat and electrical service to the premises, except where the premises may be separately metered for electricity, in which case Lessee shall pay for the electricity used. Lessee shall pay all fees and taxes due any governmental agency by reason of operating a business on said leased premises and shall pay personal property taxes on any personal property which Lessee may maintain in the leased premises.

6. Use of Premises: The leased premises are for the purposes of conducting a Storage therein. The use of said premises will be restricted to those purposes and incidental purpose connected therewith, and shall not be used for any other purposes or business without the written consent of the Lessors. *MAY USE CRANE TO LIFT THINGS IN AND OUT OF WATER*

7. Assignment and Subletting: Lessee shall not have the right, at any time during the original term of this Lease or any extension or renewal thereof, to assign this Lease or to sublet the whole or any portion thereof without the written consent of Lessor. In the event that Lessor consent to the subletting of said premises, such subletting and acceptance by Lessor of any rent or other sum of money from any sublessee shall not release Lessee from any of its obligations under this Lease.

8. Indemnification: In addition to the provisions for fire insurance to be carried by Lessors and the additional coverage to be carried by Lessee, Lessee shall indemnify and hold harmless the Lessors from any and all liabilities, penalties, damages, expenses and judgment by reason of any injury or claim of injury to person or property of any nature and howsoever caused, arising out of the use, occupation and control of the demised premises, or the streets, alleys and sidewalks adjacent thereto, by Lessee at any time during the demised term, including those resulting from any work in connection with any alterations, changes, new construction or demolition.

Lessee shall keep in full force and effect such insurance policies covering liability as will fully protect Lessors and Lessee against claims or any and all persons for personal injury, death or property damage occurring in, on or about the demised premises or in, on

or about any adjoining streets, sidewalks and passageways, such insurance to afford protection to the limit of not less than \$50,000.00 in respect to damage to any property of any person and not less than \$ 500,000.00 in respect to injury or death to a single person, and to the limit of not less than \$ ~~500,000.00~~ 299 in respect to any one accident.

Lessee shall furnish to Lessors, upon request, evidence reasonably satisfactory to Lessors that such insurance policies are in effect.

9. Improvements, Alterations and Changes: Lessee shall keep and maintain the premises by redecorating the interior as needed during the term of this Lease, but shall have no right to make any major alterations, structural changes to the building situated upon the leased real property without first having obtained in writing the consent of the Lessors to any such improvements, alterations and/or changes and if such is given, such changes and alterations shall be done at the sole expense of the Lessee and shall be in accordance with whatever building code or regulation is in effect by any government or lawful authority at the time.

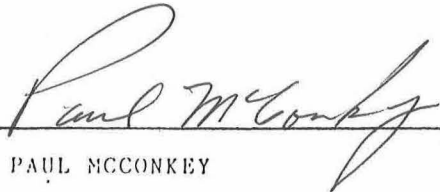
10. Surrender of Premises: Lessee shall, upon the expiration of the original term of this Lease or the expiration of any extension or renewal thereof, or other termination of this Lease for any reason, whatsoever, surrender to Lessors the said demised premises, together with the buildings and structures now or hereafter erected or standing thereon, except such buildings as by the terms of this Lease are deemed to be the personal property between Lessors and Lessee, together with all alterations, repairs, improvements and replacements of the existing building, in good condition and repair, except for reasonable wear and use thereof, and except for damage caused by any other hazard for which Lessee are obligated to maintain insurance under the provisions of this Lease, which damage shall be repaired with the proceeds of such other hazard insurance required to be provided by Lessee.

11. Condemnation: In the event the premises are taken by any lawful government authority by exercise of the right of eminent domain, this Lease shall terminate and Lessee shall have no right to share in the award or compensation paid therefor the value of the land and improvements, but shall have the right only to negotiate for their loss of use of the premises for the balance of any term remaining with such condemning authority.


12. Modifications and Changes: This Lease shall not be changed orally, but only by agreement in writing signed by both parties thereto.

13. Binding Covenants: All of the covenants, agreements, terms, conditions, provisions and undertakings in this Lease, or any renewals thereof contained, shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto, the same as if they were in every case named and expressed and that the same shall be construed as covenants running with the land, and wherever in this Lease reference is made to either of the parties hereto, it shall be held to include and apply also whenever and wherever application to the heirs, executors, administrators, personal representatives, successors and assigns of such party, the same as if in each and every case so expressed.

IN WITNESS WHEREOF, the parties have executed this Lease in duplicate this 20th day of January 1990, 198.



PAUL MCCONKEY



Bill Sesko

"Lessors"

"Lessee"